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6 August 1983*

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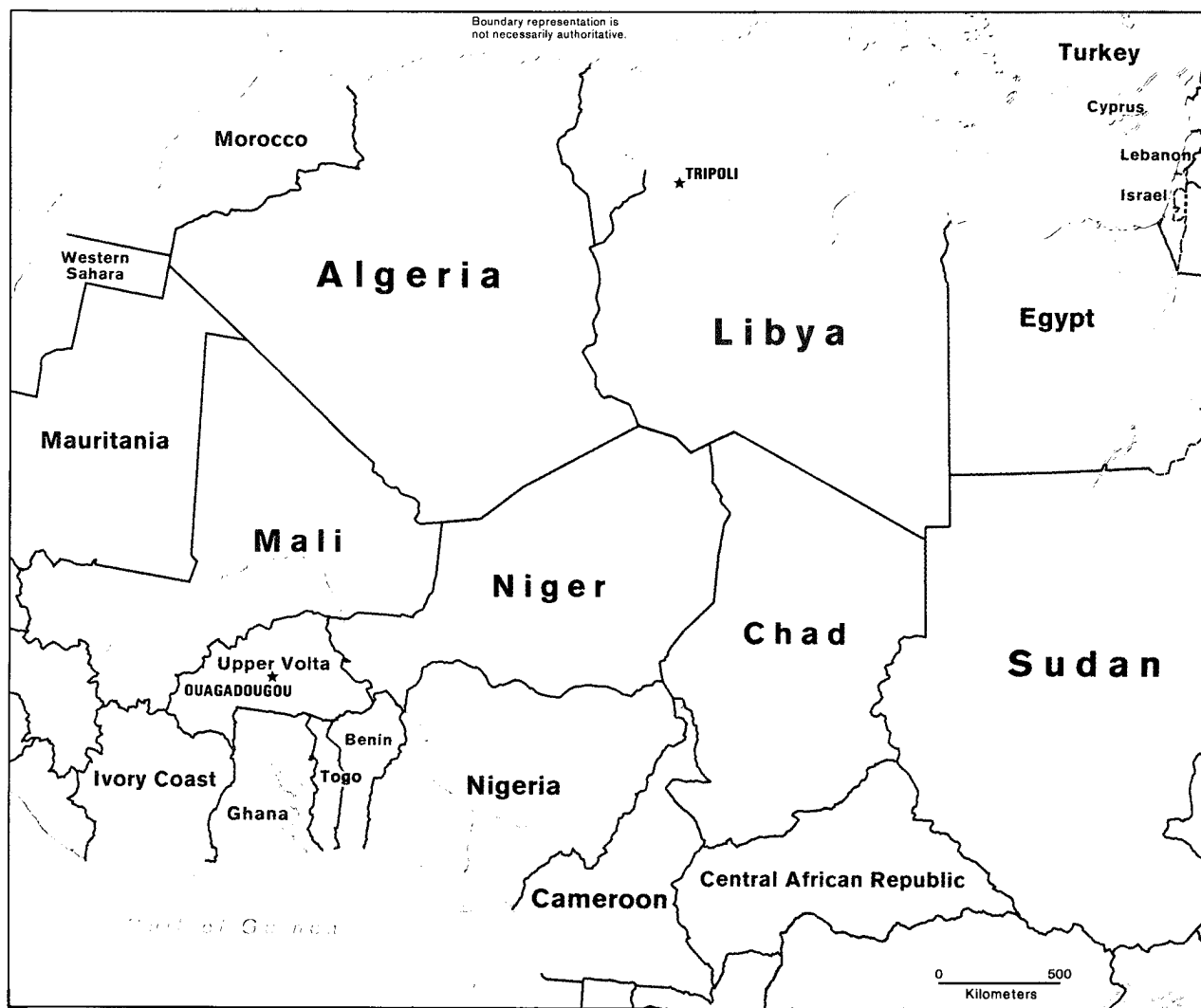
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**UPPER VOLTA: Leftist Leader in Control**

*Former Prime Minister Sankara's coup appears to have succeeded, and outward calm has returned to Ouagadougou.* [ ]

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Fighting in the capital ended yesterday, with about 20 casualties reported, including some civilians. According to the US Embassy, US citizens have not been harmed. [ ]

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Sankara claimed he seized power because the former pro-French government betrayed "progressive" objectives by allying itself with conservative elements. Although former President Ouedraogo is under house arrest, several key military members of his regime remain at large. [ ]

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Troops loyal to Sankara, equipped with arms supplied by Libya last spring, met little resistance from disorganized government forces.

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[ ] Neither Tripoli nor Paris has reacted publicly to the coup. (S NF NC OC)

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**Comment:** The advent of a pro-Libyan regime in Upper Volta will further strain relations between France and Libya. Although France is not obligated by treaty to intervene in Upper Volta, it will come under strong pressure to do so by the conservative, pro-Western Presidents of Ivory Coast, Togo, and Niger. All fear the expansion of Libyan influence. [ ]

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The extent of Libya's involvement in the coup is unclear, but Libyan leader Qadhafi may now try to mount an airlift of arms and possibly advisers to Ouagadougou to ensure Sankara's hold on power. As a result of its growing involvement in Chad, however, Tripoli probably would be able to provide only limited support to Ouagadougou. [ ]

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**USSR: Economic Reform Proposal**

*A paper presented to an economic conference in April—copies of which were leaked to some Western newsmen in Moscow this week—declares that the 50-year-old system of centralized controls is the cause of the USSR's economic slowdown and implies that the leadership will have to engage in "conflict" with entrenched interest groups to reverse the situation.* [ ]

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The paper was prepared by a group of economists from the Siberian Division of the Academy of Sciences in Novosibirsk. The mentor of this group is academician Abel Aganbegyan, whose incisive criticism of the USSR's economic failings has agitated Soviet officials from time to time for almost 20 years. In the 1960s one of Aganbegyan's defenders wrote in a Soviet newspaper that his critics had "practically accused him of sedition." [ ]

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**Comment:** Judging from available excerpts, the current paper calls for extensive decentralization of planning and decisionmaking authority in the economy. Such moves would be intended to release the "creative energies" of those groups in the lower management levels that are interested in innovation and progress. The paper also takes the unusual step of calling for "immobilizing" those higher level administrators who prefer that the current system continue. [ ]

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General Secretary Andropov probably does not directly support all of the paper's conclusions. Its authors are likely to have been emboldened to make them, however, by public statements by Andropov and his former rival Chernenko that the USSR should examine proposals that seem to contest long-accepted policies. The paper fits that category. [ ]

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**EL SALVADOR: Fighting in the Northeast**

*The insurgents have attacked a key government outpost in western Morazan Department.* [redacted]

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US defense attache reports [redacted] indicate that an estimated 500 to 700 guerrillas engaged government troops supported by artillery and airstrikes earlier this week near Cerro Cacahuatique, where a strategic military communications station is located. According to the attache, elements of two government battalions are moving toward the area from the northeast. [redacted]

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**Comment:** The insurgents need a major victory soon to help regain the military initiative and to stem the growing confidence of the Army. [redacted]

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**NORTH KOREA-SOUTH KOREA: Failed Infiltration Attempt**

*The South Koreans are claiming that the unsuccessful North Korean infiltration attempt yesterday is part of P'yongyang's plan to use terrorism to obstruct the Inter-Parliamentary Union conference scheduled to be held in Seoul in October.* [REDACTED]

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At least three North Korean agents were killed yesterday while trying to infiltrate by sea on the southeast coast of South Korea. A South Korean patrol boat was sunk in the clash, but its crew reportedly was rescued. [REDACTED]

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**Comment:** Seoul used similar terms in June to characterize an infiltration attempt near the DMZ. In recent months President Chun has expressed his concern about possible North Korean terrorism, but a number of South Korean officials doubt that P'yongyang would risk such action. [REDACTED]

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North Korean infiltration during warm months is not unusual. Agents are charged with a variety of missions, often to contact resident agents or reconnoiter military installations. [REDACTED]

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P'yongyang nevertheless is waging a diplomatic and propaganda campaign in Africa, the Middle East, and elsewhere to discourage participation in the IPU meeting. While at least 47 of the 98 IPU members have indicated they will send delegations to Seoul, five Third World countries have publicly joined the North Korean boycott. [REDACTED]

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**USSR-CUBA: Delivery of Drydock**

[redacted] the  
Soviets have delivered a floating drydock with a 4,500-ton lift  
capability to the Punta Movidá Naval Base on Cuba's southern coast.  
Cuba now has at least four drydocks for naval and commercial use.

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[redacted]

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**Comment:** The new drydock provides the first capability outside  
Havana for the repair of the Cuban Navy's warships. It is part of the  
general expansion and improvement of several Cuban naval facilities.  
The drydock is large enough to accommodate the frigate and the  
F-class submarine stationed at Punta Movidá. It also could handle  
some of the Soviet ships that periodically visit the island. To date,  
however, no Soviet warship has been repaired in Cuba.

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**BULGARIA-USSR: Zhivkov's Comments on Andropov**

Bulgarian General Secretary Zhivkov, in discussions with the US Ambassador this week, talked about General Secretary Andropov with little apparent enthusiasm. Zhivkov alleged that the Soviet leader could not deviate from courses set by the collective leadership because he would "immediately collide" with the Central Committee and with Warsaw Pact leaders. He implied that Western allegations of Bulgarian complicity in the attempted assassination of the Pope had complicated his relations with Andropov. 

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**Comment:** Zhivkov's attitude toward Andropov supports earlier indications that relations between the two are strained. The Soviets have voiced concern about Bulgarian nationalism, and they have intensified their pressure on Sofia to spend more on defense and to become more active in CEMA. Nevertheless, the overall basis of Soviet-Bulgarian relations remains solid. 

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**OMAN-ISRAEL-EGYPT: Appeal for Conciliation**

Omani Minister of State for Foreign Affairs Alawi, during a press conference in Kuwait on Tuesday, repeatedly called on Arabs to seek conciliation with a permanently strong Israel and to end their boycott of Egypt. Alawi argued that, although the US was biased toward Israel, Arab interests dictate good relations with the US. At the same time, Alawi said that Oman would not unilaterally recognize Israel. [REDACTED]

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**Comment:** Alawi's statements almost certainly were approved or even initiated by Sultan Qaboos. They appear aimed at advancing Oman as a more important spokesman for the Persian Gulf states, which see themselves threatened by Syria's intransigence on Lebanon, the PLO, and the war between Iran and Iraq. The Omanis evidently took the initiative without prior consultation with Saudi Arabia. Oman is virtually alone among the Arab states in supporting the Camp David accords, and it is one of only three Arab countries to maintain full diplomatic relations with Egypt. [REDACTED]

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**INTERNATIONAL: Exchange Market Intervention**

The currencies of most industrial countries have continued to decline against the US dollar, despite foreign exchange market intervention by US, Japanese, West German, French, and Swiss central banks. Last week the dollar hit an all-time high against the French franc and the Italian lira, while posting a nine-year high against the West German mark. The dollar also continued to climb against the other currencies in the European Monetary System. The financial press attributed the dollar's strength to expectations of further increases in US interest rates. [REDACTED]

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**Comment:** Foreign governments are likely to renew attacks on US economic policies if interest and exchange rates fail to stabilize soon. The French Finance Minister has stated publicly that the dollar's rise means that US pledges of cooperation at the Williamsburg Summit were hollow. The Bank of Canada probably will continue to stabilize the Canadian dollar's exchange rate by allowing Canadian interest rates to rise in tandem with US rates. [REDACTED]

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25X1**URUGUAY: Ban on Political Activity**

The indefinite ban on all political activity announced earlier this week by the military government could be challenged today if the Communists and several other minor political groups carry out their reported plans to stage a demonstration. The announcement followed a breakdown in constitutional negotiations between the military and major political parties over guarantees for the armed forces to deal with subversion, once the civilians return to power. [REDACTED]

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**Comment:** Security forces probably will use force to break up any political rallies. The ban's severe limits will increase pessimism in political circles regarding effective party participation in the elections next year. Military officers remain committed both publicly and privately to a return to civilian rule, but they are determined to control the transition and protect their prerogatives under a civilian government. Without any leverage, the political parties are unlikely to take on the regime openly and may use international forums to criticize the government's actions. [REDACTED]

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